

Nominee of the Financial Institutions

2275. SHRI V.M. SUDHEERAN : Will the Minister of FINANCE be pleased to state :

(a) whether the Government are considering to evolve a code of corporate governance and to the new guidelines for nominees of the Financial Institutions in the Boards of Corporate;

(b) if so, the details thereof;

(c) whether the Government have made any evaluation of the performance of the nominee of the Financial Institutions on the Board of Corporates; and

(d) if so, the details thereof and the action taken by the Government thereon?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) and (b). Government had suggested to some of the All India Financial Institutions (AIFIs) namely IDBI, ICICI and UTI to study the practices of corporate governance by major Indian Corporates vis-a-vis recommendations of the Cadbury Committee on Corporate Governance. The study, *inter alia*, made observations on practices of corporate governance followed by Indian Corporates, the frequency of board meetings the independence of non-executive directors, the evolution of prudent norms on short term investments, and the stipulation of the constitution of audit sub-committees. AIFIs have discussed the matter with the Confederation of Indian Industry (CII) and CII has set up a Task Force on Corporate Governance.

The existing guidelines on nominee directors are under review by AIFIs.

(c) and (d). It is not the Government but AIFIs which appoint nominee directors on the boards of assisted companies. AIFIs themselves are responsible for reviewing the performance of their nominee directors and take appropriate action wherever necessary.

Cultivation of Opium

2276. SHRI BHAKTA CHARAN DAS : Will the Minister of FINANCE be pleased to state :

(a) whether the Government have announced the new opium-policy providing for an increase in the prices of the product and the production quota;

(b) if so, the details thereof;

(c) the names of major opium growing States in the country;

(d) the production quota of opium fixed annually in each States; and

(e) the financial assistance provided to each State for this purpose during 1995-96 and 1996-97?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) and (b). Yes, Sir. The Government of India have announced the opium Licensing Policy for the crop year 1996-97 in which the minimum qualifying

yield for Madhya Pradesh and Rajasthan has been fixed at 48 kgs./hectare at 70° Consistency and for Uttar Pradesh has been fixed at 40 kgs./hectare at 70° Consistency. The Government have also announced an increase of Rs. 100/- per kg. in the existing purchase price of opium.

(c) The three opium growing States are Madhya Pradesh, Rajasthan and Uttar Pradesh.

(d) No annual production quota of opium for each State has been fixed by the Government. However, the minimum qualifying yield to be tendered by the farmers has been fixed as above.

(e) No financial assistance is provided by the Central Government to any of these three States for this purpose.

Limits on L.C.D.

2277. SHRIMATI MEIRA KUMAR : Will the Minister of FINANCE be pleased to state :

(a) the details of the limits imposed by the R.B.I. on inter-corporate deposits and on net owned funds;

(b) the details of the system under which RBI exercise it's control over such matters;

(c) whether any violations of such limits have come to the notice of RBI recently; and

(d) if so, the details thereof and the action taken thereon?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) Acceptance of deposits by non-banking financial companies (NBFCs) is being regulated under the provisions of Non Banking Financial Companies (Reserve Bank) Directions, 1977. The directions *inter alia*, imposed a ceiling by way of borrowing in the form of inter corporate deposits (ICDs)/ loans. In respect of registered Equipment Leasing and Hire Purchase (EL&HP) Finance Companies, the sub limit for ICD not exceeding a period of twelve months is upto two times of their Net Owned Fund (NOF). This sub limit has been brought down from two times to equal to NOF for unregistered EL&HP Finance companies. In respect of registered Loan and Investment companies, separate limit of ICD is equal to two time NOF. However in respect of unregistered Loan and Investment Companies, the limit on ICD has been reduced from two times NOF to equal to NOF.

(b) The Bank monitors the level of ICDs accepted by NBFCs through annual returns. Besides, during the course of inspection of the NBFCs this aspect is looked into.

(c) and (d). Whenever violation of such limits come to the Bank's notice, the concerned companies are being advised to bring the level of ICDs to the entitled level. Details of such violations of the limits are not readily available.